

LAW OFFICES
MILES & STOCKBRIDGE

A PROFESSIONAL CORPORATION

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JOHN A. STALFORT
410-385-3424

May 12, 1997

REC-RECORDATION DIV. 20684
FILED

MAY 14 '97

1-00PM

via FEDERAL EXPRESS

Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001
Attention: Recordation

Re: Our File No.: 258-1721

Dear Mrs. Fort:

Enclosed for recordation as a primary document pursuant to the provisions of 49 U.S.C. §11301(a) are one original and one notarized copy of the following document:

Security Agreement dated May 8, 1997 by and between Rio Grande Chemical Sales Co. (901 Lindberg Street, McAllen, Texas 78501) and the First National Bank of Maryland (25 South Charles Street, Baltimore, Maryland 21201).

Also enclosed is a check in the amount of \$24.00 to cover the costs of recording this document.

Once this document has been recorded, please return the same to the undersigned.

Thank you for your prompt attention to this matter. If you have any questions please call me at (410) 385-3425.

Sincerely,



Michele E. Sperato
Assistant to John A. Stalfort

Enclosures

STATE OF MARYLAND

SS:

CITY OF BALTIMORE

THIS IS TO CERTIFY that the attached Security Agreement is a true and complete copy of said Security Agreement.

WITNESS my hand and seal this 12th day of May, 1997.

Michelle E. Sperato
Notary Public

My Commission Expires:



MAY 14 '97

1-00PM

SECURITY AGREEMENT

It is hereby agreed as of the 8th day of May, 19 97, by and between Rio Grande Chemical Sales Co. ("Borrower"), a corporation of the State of Texas, and THE FIRST NATIONAL BANK OF MARYLAND ("Bank"), a national banking association, of Baltimore, Maryland with respect to the obligations of Borrower to Bank, as follows:

I. DEFINITIONS

The following terms have the following definitions (each definition is equally applicable to the singular and plural forms of the terms used, as the context requires):

- A. **Account Debtor.** The term "Account Debtor" means any person or entity who is or who may become obligated to make payments to Borrower, including, but not limited to, payments owed to Borrower under, with respect to, or on account of Receivables.
- B. **Collateral.** The term "Collateral" means all of the now owned and hereafter acquired assets, properties and property rights of Borrower with respect to which Borrower has at any time granted a security interest or lien to Bank or has at any time otherwise assigned or pledged to Bank.
- C. **Equipment.**

- ☐ **All Equipment.** If this box is marked, or if no box in this Paragraph I.C. is marked, the term "Equipment" means all of the now owned and hereafter acquired machinery, equipment, furniture, fixtures (whether or not attached to real property), vehicles, supplies and other tangible personal property of Borrower other than inventory, including any leasehold interests therein and all substitutions, replacement parts and annexations thereto, and including all improvements and accessions thereto and all spare parts, tools, accessories and attachments now owned or hereafter acquired in connection therewith, and any maintenance agreements applicable thereto, and all proceeds and products thereof, including sales proceeds, and all rights thereto.
- ☐ **Specified Equipment.** If this box is marked, the term "Equipment" means all of the now owned and hereafter acquired machinery, equipment, furniture, fixtures (whether or not attached to real property), vehicles, supplies and other personal property of Borrower which is described below and in any separate schedule at any time delivered by Borrower to Bank, including any leasehold interests therein and all substitutions, replacement parts and annexations thereto, and including all improvements and accessions thereto and all spare parts, tools, accessories and attachments now owned or hereafter acquired in connection therewith, and any maintenance agreements applicable thereto, and all proceeds and products thereof, including sales proceeds, and all rights thereto:

See Exhibit A attached hereto and made a part hereof.

- D. **G.A.A.P.** The term "G.A.A.P." means, with respect to any date of determination, generally accepted accounting principles as used by the Financial Accounting Standards Board and/or the American Institute of Certified Public Accountants consistently applied and maintained throughout the periods indicated.
- E. **Inventory.** The term "Inventory" means all of Borrower's now owned and hereafter acquired inventory, wherever located, including, but not limited to, goods, wares, merchandise, materials, raw materials, parts, containers, goods in process, finished goods, work in progress, bindings or component materials, packaging and shipping materials and other tangible or intangible personal property held for sale or lease or furnished or to be furnished under contracts of service or which contribute to the finished products or the sale, promotion, storage and shipment thereof, all goods returned for credit, repossessed, reclaimed or otherwise reacquired by Borrower, whether located at facilities owned or leased by Borrower, in the course of transport to or from Account Debtors, placed on consignment, or held at storage locations, and all proceeds and products thereof, and all rights thereto, including, but not limited to, all sales proceeds, all chattel paper related to any of the foregoing and all documents, including, but not limited to, documents of title, bills of lading and warehouse receipts related to any of the foregoing.
- F. **Obligations.** The term "Obligations" means collectively the obligations of Borrower to pay to Bank: (i) all indebtedness and liabilities of Borrower to Bank, whether direct or indirect (by way of endorsement, guaranty, pledge or otherwise), liquidated or unliquidated, joint or several, absolute or contingent, contemplated or uncontemplated, or otherwise arising from ~~any loan, note, letter of credit, guaranty, overdraft or any other duty owed by Borrower to Bank~~, now existing or hereafter arising, including but not limited to, any and all sums due to Bank under or pursuant to this Agreement or any accompanying loan documents; (ii) any and all sums advanced by Bank to preserve or protect the Collateral or to preserve, protect, or perfect Bank's security interests and liens in the Collateral; and (iii) the expenses of retaking, holding, preparing for sale, selling or otherwise disposing of or realizing on the Collateral, or of any exercise by Bank of Bank's rights in the event of a default by Borrower or any Other Obligor, together with Bank's attorneys' fees, expenses of collection, and court costs.
- G. **Other Obligor.** The term "Other Obligor" means any person or entity other than Borrower that is now or hereafter liable, directly, contingently or otherwise, upon or in connection with any of the Obligations or that has granted any lien or security interest to or for the benefit of Bank to secure any of the Obligations, including, but not limited to any guarantor, surety, endorser, or co-maker of any of the Obligations.
- H. **Other Property.** The term "Other Property" means all now owned and hereafter acquired assets of Borrower, other than Receivables, Equipment and Inventory, including, but not limited to, all leases, rents, chattels, leasehold improvements, installment purchase and/or sales contracts, bonds, stocks, certificates, advances, deposits, trademarks, tradenames, licenses, patents and insurance policies, including cash values.
- I. **Receivables.** The term "Receivables" means all of Borrower's now owned and hereafter acquired and/or created accounts, accounts receivable, contracts, contract rights, instruments, documents, chattel paper, notes, notes receivable, drafts, acceptances, general intangibles (including, but not limited to, trademarks, tradenames, licenses and patents), and other choses in action (not including salary or wages), and all proceeds and products thereof, and all rights thereto, including, but not limited to, proceeds of Inventory and returned goods and proceeds arising from the sale or lease of or the providing of Inventory, goods, or services by Borrower, as well as all other rights of any kind, contingent or non-contingent, of Borrower to receive payment, benefit, or credit from any person or entity, including, but not limited to, the right to receive tax refunds or tax rebates.

* Promissory Note of even date herewith from Borrower to Bank

II. GRANT OF SECURITY INTEREST

A. **Collateral.** As security for all Obligations of Borrower to Bank, and in consideration of advances from Bank to Borrower, Borrower hereby grants and pledges to Bank a continuing security interest in: (i) if one or more boxes below is marked, the types of property so marked, or (ii) if none of the boxes below is marked, all of the following property:

- ☒ All of Borrower's Equipment; (as defined in I.C. above);
- ☐ All of Borrower's Receivables;
- ☐ All of Borrower's Inventory;
- ☐ All of Borrower's Other Property;
- ☒ Other: See Rider No. 1 attached hereto.

Borrower also hereby grants and pledges to Bank a continuing security interest in: (i) all proceeds (including insurance proceeds) and products of the above-described Collateral; (ii) ~~any of Borrower's assets in which Bank has been or is hereafter granted a security interest under any other security agreements, notes or other obligations or liabilities between Borrower and Bank;~~ (iii) any accounts, property, securities or monies of Borrower which may at any time be maintained at, assigned to, delivered to, or come into possession of, Bank, as well as all proceeds and products thereof; and (iv) all of the books and records pertaining to any of the above-described items of Collateral.

B. **Borrower's Obligations.** Borrower's Obligations under this Agreement are irrevocable, absolute and unconditional, and direct, immediate and primary.

~~C. **Adequate Protection.** The ratio of the amount of the Obligations of Borrower to the value of all Collateral, guarantees and other security held by Bank ("Security Value"), and realizable through commercially reasonable disposition of the property by Bank, has been an essential part of the bargain between Borrower and Bank and has been a crucial fact in establishing the rate of interest charged to Borrower. That ratio of Obligations to Security Value shall not be increased without the consent of both Borrower and Bank. If the actual ratio exceeds the agreed ratio, then a default under this Agreement has occurred.~~

III. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants that:

- A. **Accuracy.** All information, financial statements and data submitted to Bank by Borrower or any Other Obligor are true, accurate and complete in all material respects.
- B. **Authority.** Borrower is duly organized and existing in good standing in the state of its organization, is qualified to do business and in good standing in all jurisdictions where it conducts its business or its Receivables are located, and has all requisite power, authority, licenses and permits to own its property and carry on its business, ~~and Borrower shall deliver to Bank a written opinion of counsel to such effect if requested by Bank.~~ None of the terms and conditions herein, or of any other agreement executed by Borrower, are in violation of the charter or by-laws, or other organizational documents of Borrower, any contractual obligation Borrower may have with any third party, or any order or decree by which Borrower is bound, and the execution and delivery of this Agreement have been duly authorized by appropriate corporate, company or partnership action, ~~and Borrower shall deliver to Bank a written opinion of counsel to such effect if requested by Bank.~~
- C. **Litigation.** No litigation or other proceeding before any court or administrative agency is pending, or to the knowledge of Borrower, is threatened against Borrower, the outcome of which could materially impair Borrower's financial condition or its ability to carry on its business. Borrower is not the subject of any pending bankruptcy proceeding nor subject to the continuing jurisdiction of a bankruptcy court as the result of an approved plan of reorganization.
- D. **Financing Statements.** No financing statement, other than any filed in favor of Bank, relating to any of the Collateral is on file in any place, except as expressly disclosed to Bank in writing by Borrower.
- E. **Assurance of Title.** Borrower is the owner of all of the Collateral, or, if proceeds of any note or notes secured hereby are being used to purchase the Collateral, Borrower shall be the owner thereof, free and clear of all claims, encumbrances, charges and liens, except as herein provided.
- F. **Addresses.** The principal place of business of Borrower, the books and records relating to Borrower's business and the Collateral, and the Collateral are located at the address(es) set forth in this Agreement.
- G. **Hazardous Substances.** Borrower has never received any notification, citation, complaint or notice of investigation relating to the making, storing, handling, generating or transporting of any materials or substances which under applicable laws require special handling in collection, storage, treatment or disposal ("Hazardous Substances"), and Borrower does not own, make, store, handle, dispose of or transport any Hazardous Substances in violation of any applicable laws.
- H. **ERISA.** Borrower and each of its affiliates and subsidiaries ("ERISA Affiliates") which are under common control, or are part of a controlled group, within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") are in compliance with all applicable provisions of ERISA with regard to each of its employee benefit plans (as defined in ERISA) ("Employee Benefit Plans"). Neither a reportable event (as defined in ERISA) nor a prohibited transaction (as defined in ERISA) has occurred with respect to any Employee Benefit Plan of Borrower or any ERISA Affiliate. Immediately upon the occurrence of any such reportable event, Borrower shall promptly furnish to Bank notice thereof, as filed with the Pension Benefit Guaranty Corporation ("PBGC"). Neither Borrower nor any ERISA Affiliate has completely or partially withdrawn from any multiemployer plan and no such multiemployer plan is in reorganization, all as provided by ERISA. Borrower and each ERISA Affiliate has met its minimum funding requirements and has no unfulfilled obligations under ERISA to contribute to any Employee Benefit Plan. Borrower shall promptly notify Bank of any assertion by PBGC of liability of Borrower or any ERISA Affiliate under Title IV of ERISA. The failure of Borrower to pay within 30 days the amount of any liability under Title IV of ERISA demanded by PBGC shall constitute a default hereunder.
- I. **Taxes.** There are no unpaid Federal, State, city, county, or other taxes owed by Borrower, there are no Federal, State, city, county or other tax liens presently filed against Borrower, and there are no outstanding personal property taxes of any kind.

IV. COVENANTS

Borrower covenants that:

- A. **Recording and Legal Costs.** Borrower shall pay all costs and expenses incident to the making of the loan(s) secured hereby and perfection of Bank's security interests hereunder, including, but not limited to, all attorneys' fees (to the extent not prohibited by law) and all recordation costs and taxes incident to filing of financing statements and continuation statements in respect thereof.
- B. **Further Documents.** Borrower shall execute and deliver to Bank from time to time any instruments or documents, including, but not limited to, financing statements, amendments, continuation statements, mortgages, loss payable endorsements for insurance policies, and assignments of insurance policies and proceeds, and shall do all things necessary or convenient to carry into effect the provisions of this Agreement. Borrower designates Bank or any of its officers as attorney-in-fact to sign Borrower's name on any such instruments or documents, and to file the same as may be appropriate. Borrower agrees that filed photocopies of financing statements and continuation statements shall be sufficient to perfect Bank's security interest hereunder. ^{promptly after request therefor from Bank,} *if Borrower does not execute and deliver such instruments or documents to Bank
- C. **Taxes.** Borrower shall pay and discharge, when due, all taxes, levies, liens, and other charges on all of its assets, including, but not limited to, Inventory, Equipment and Other Property, and shall pay promptly, when due, all other taxes, including withholding taxes.
- D. **Laws.** Borrower shall comply at all times with all laws, ordinances, rules and regulations of any Federal, State, municipal or other public authorities having jurisdiction over Borrower, the Collateral or any of Borrower's other assets, including, but not limited to, ERISA and all laws relating to Hazardous Substances.
- E. **Name and Location.** Borrower shall immediately advise Bank in writing ~~of the opening of any new place of business or the closing of any of its existing places of business, and of any change in Borrower's name or the location of the places where the Collateral, or books and records pertaining to the Collateral, are kept.~~ ^{reasonably} ^{reasonably}
- F. **Books and Records.** Borrower shall maintain such records with respect to the Collateral and the condition (financial and otherwise) and operation of Borrower's business as Bank may request from time to time, and shall furnish to Bank such information with respect to the Collateral, Account Debtors, and the condition (financial and otherwise) and operation of Borrower's business, including, but not limited to, balance sheets, operating statements, and other financial information, as Bank may request from time to time. ~~Bank may at any time and without prior notice to Borrower and without the consent of Borrower directly contact Account Debtors and verify or confirm the status of Receivables.~~ Borrower shall furnish Bank or cause to be furnished to Bank such financial information with respect to any Other Obligor, including, but not limited to, balance sheets, operating statements, personal financial statements and other financial information, as Bank may request from time to time. ^{reasonably}
- G. **Inspection.** Bank or any of its representatives may from time to time inspect, check, make copies of or extracts from the books, records and files of Borrower, and inspect any of the Collateral wherever located. Borrower shall make same available at any time for such purposes.
- ~~H. **Reporting Requirements.** In addition to such other information (financial and otherwise) as Bank may require from time to time, Borrower shall submit to Bank as soon as available copies of the Federal, State and local tax returns of Borrower and shall also submit the following to Bank:~~
- ☐ **Monthly Financial Statements.** As soon as available and in any event within fifteen (15) calendar days after the end of each calendar month, financial statements of Borrower for the immediately preceding month, in form and detail satisfactory to Bank, prepared in accordance with G.A.A.P.
- ☐ **Quarterly Financial Statements.** As soon as available and in any event within fifteen (15) calendar days after the end of each of the first three quarters of each fiscal year of Borrower, financial statements of Borrower for the immediately preceding quarter in form and detail satisfactory to Bank, prepared in accordance with G.A.A.P.
- ☐ **Annual Financial Statements.** As soon as available and in any event within ninety (90) calendar days after the end of each fiscal year of Borrower, ☐ compiled ☐ reviewed ☐ audited financial statements of Borrower for the immediately preceding fiscal year, in form and detail satisfactory to Bank, prepared in accordance with G.A.A.P., by independent certified public accountants satisfactory to Bank.
- ~~If none of the boxes in this Paragraph IV.H. is marked, Borrower shall submit to Bank all of the financial statements required pursuant to this Paragraph, including audited annual financial statements.~~
- I. **Misrepresentation.** Borrower shall not make or furnish to Bank any representation, warranty, or certificate in connection with or pursuant to this Agreement which is materially false.
- J. **Insurance.** ~~Borrower has and shall maintain insurance on all of its assets and properties, including, but not limited to, the Collateral, at all times and against hazards, with companies, in amounts and in form acceptable to Bank. Borrower shall submit to Bank original insurance policies and receipts evidencing payment of the premiums due on same. The policies shall name Bank as sole loss payee and additional insured with respect to the Collateral, and shall be endorsed so as to make them noncancellable unless thirty (30) days prior notice of cancellation is provided to Bank. All policies of insurance required pursuant to this Paragraph shall also contain an endorsement or agreement by the insurer that any loss shall be payable in accordance with the terms of such policy notwithstanding any act or negligence of Borrower which might otherwise result in forfeiture of such insurance and the further agreement of the insurer waiving all rights of set-off, counterclaim or deductions against Borrower. In the event of any loss thereunder, the carriers named therein are hereby directed to make such payment for loss solely to Bank, and not to Borrower and Bank jointly or to any other person. If any insurance losses are paid by check, draft or other instruments payable to Borrower or to Borrower and Bank jointly, Bank may endorse the name of Borrower thereon and do such other things as Bank may deem advisable in order to reduce the same to cash. In addition, Borrower shall maintain at all times, public liability insurance and all other coverages required by Bank, naming Bank as additional insured, with companies, in amounts and in form acceptable to Bank. All loss recoveries received by Bank upon any insurance may be applied and credited by Bank at its discretion to the Obligations.~~ *See Rider No. 2 attached hereto.
- K. **Bank's Duty of Care.** Except as provided in this Paragraph IV.K., Bank's sole duty with respect to the Collateral shall be to use reasonable care in the custody, use, operation and preservation of Collateral in its possession, and Borrower shall reimburse Bank for all costs and expenses, including insurance costs, taxes and other charges, incurred in connection with the custody, use, operation, care or preservation of the Collateral, such reimbursement to be secured as provided above in Paragraph II. In the event that Bank takes possession of the Collateral by foreclosure as provided in Paragraph VI.C. herein or otherwise, Bank may, but shall be under no obligation to, take such actions as it may deem appropriate to protect the Collateral by insurance or otherwise, and any expense so incurred shall likewise be reimbursed and secured as provided above in Paragraph II. Bank shall incur no liability to Borrower for any failure to provide adequate protection or insurance for the Collateral acquired by Bank. Bank shall not be obligated to take any steps necessary to preserve any rights in any of the Collateral against prior parties, and Borrower hereby agrees to take such steps. Borrower hereby waives the defense of unjustifiable impairment of collateral with respect to the Collateral and any other collateral for any of the Obligations.
- L. **Equipment.** If the Collateral includes Equipment, then the covenants in this Paragraph IV.L. apply:

1. **Repair.** Borrower shall keep and maintain, or cause any lessee to keep and maintain, the Equipment in good order and repair and in working condition.
 2. **Personalty.** The Equipment shall be and shall remain personal property and nothing shall affect the character of the same or cause the same to become realty without the written consent of Bank, or prevent Bank in its option from removing same from premises on which they may become attached, in the event of default hereunder.
 3. **No Sale of Equipment.** Without the prior written consent of Bank, Borrower shall not sell or otherwise dispose of any of the Equipment, except that items of Equipment may be sold or exchanged if such Equipment is replaced in the ordinary course of Borrower's business to the satisfaction of Bank by Equipment of a similar value and which is subject to the first lien security interest of Bank.
 4. **Vehicles.** If the Collateral includes a motor vehicle for which a certificate of title is issuable, Borrower shall deliver to Bank the certificate of title issued with respect to such vehicle and shall cause a statement of Bank's security interest to be noted as a lien on such certificate of title.
- M. Receivables.** If the Collateral includes Receivables, then the covenants in this Paragraph IV.M. apply:
1. **Payment.** Each Receivable shall be paid in full on or before its due date, as represented to Bank, and if not so paid, Borrower shall pay any amounts represented to be owing thereon immediately to Bank, if Bank so demands.
 2. **Credits.** If any allowance or credit on any Receivable is given by Borrower, then Borrower shall pay the same immediately to Bank, if Bank so demands.
 3. **Returns.** If any property evidenced by a Receivable should be returned to Borrower, then Borrower shall hold the same in trust as security for and subject to the orders of Bank and Borrower shall pay the amount represented to be owing on the rebated Receivable immediately to Bank, if Bank so demands.
 4. **Bona Fide.** Each and every Receivable shall be bona fide, be for a certain undisputed claim or demand for the amount Borrower represented to be owing thereon, represent a sale and delivery of personal property sold or work and labor done, and not be subject to any set-off, counterclaim, or contingent liability upon the fulfillment of any contract or condition whatsoever.
 5. **Books.** If requested by Bank, Borrower shall make all necessary entries in its books to disclose the assignment of Receivables to Bank, and permit Bank to verify Receivables.
 6. **Mail.** Upon demand, Borrower shall open all mail only in the presence of a representative of Bank, who may take therefrom any remittance on Receivables assigned to Bank. Bank is also granted the power of attorney to have mail delivered to Bank, and not to Borrower, and to open all mail and take therefrom any remittance on any Receivables.
 7. **Signatures.** Bank or its representative may endorse or sign the name of Borrower on remittances in respect of Receivables, invoices, assignments, financing statements, notices to Account Debtors, bills of lading, storage receipts, or other instruments or documents in respect of Receivables or the property covered thereby.
 8. **Collections.** Bank authorizes and permits Borrower to collect Receivables from Account Debtors. This privilege may be terminated by Bank at any time without notice to Borrower before or after default hereunder, and Bank may notify any Account Debtor or Account Debtors of the assignment of Receivables and collect the same. Borrower shall at any time requested by Bank notify any or all Account Debtors to make payment of their Receivables to Bank for deposit to the Collateral Account as herein provided. Borrower shall receive all payments on Receivables as agent of and for Bank and shall transmit to Bank, on the day thereof, or at other mutually agreed upon intervals, all original checks, drafts, acceptances, notes and other evidences of payment received in payment of or on account of Receivables, including all cash monies similarly received by Borrower. For such purpose, Borrower does hereby grant to Bank access to any post office boxes in which mail is received. Until delivery of all such remittances to Bank, Borrower shall keep same separate and apart from Borrower's own funds, capable of identification as the property of Bank, and shall hold the same in trust for Bank. Further, Borrower agrees that Bank may pay, for the account of Borrower, any taxes, levies, or other charges affecting Borrower's assets, including but not limited to, Inventory or Equipment which Borrower fails to pay, including all other taxes and levies, and any such payment shall constitute a liability of Borrower. If Bank is collecting the Receivables as above provided, Bank shall have the right to receive, endorse, assign and deliver in Bank's name or Borrower's name any and all checks, drafts and other instruments for the payment of money relating to the Receivables, and Borrower hereby waives notice of presentment, protest and non-payment of any instrument so endorsed. Borrower appoints Bank or Bank's designee as Borrower's attorney-in-fact with power with respect to the Receivables: (a) to endorse Borrower's name upon any notes, acceptances, checks, drafts, money orders or other evidences of payment of Receivables that may come into Bank's possession; (b) to sign Borrower's name on any invoices relating to any of the Receivables, drafts against Account Debtors, assignments and verifications of Receivables and notices to Account Debtors; (c) to notify the post office authorities to change the address for delivery of mail addressed to Borrower to such address as Bank may designate; (d) to receive, open, and dispose of mail addressed to Borrower; (e) to do all other acts and things necessary, proper, or convenient to carry out the terms, conditions, and purposes and intent of this Agreement. The power of attorney hereby granted, being coupled with an interest, is irrevocable while any of the Obligations remain unpaid or unperformed. Bank may, without notice to or consent from Borrower and without affecting any obligations of Borrower thereunder, sue upon or otherwise collect, extend the time of payment of or compromise or settle for cash, credit or otherwise upon any terms, any of the Receivables or any securities, guaranties, instruments or insurances applicable thereto or release the obligor thereon. Bank is authorized and empowered to accept the return of any Collateral represented by any of the Receivables without notice to or consent by Borrower, all without discharging or in any way affecting Borrower's liability to Bank. Bank does not, by anything herein or in any assignment or otherwise, assume any of Borrower's obligations under any contract or agreement assigned to Bank, and Bank shall not be responsible in any way for the performance by Borrower of any of the terms and conditions thereof.
 9. **Collateral Account.** All remittances in payment of the Receivables assigned to Bank shall be deposited with Bank (or any other bank designated by Bank) in an account designated as The First National Bank of Maryland, (name of Borrower), Collateral Account, if Bank should desire. Such deliveries and deposits shall be made daily and each deposit shall be accompanied by a report in such form as Bank shall require. Funds in the Collateral Account shall not be subject to withdrawal by Borrower, but shall at all times be subject to the control of Bank. Funds in the Collateral Account are the property of Bank alone, and not Bank and Borrower together, as Borrower's name appears for identification purposes only. All funds held in the Collateral Account may be applied against the Obligations at the sole discretion of Bank.
- N. Inventory.** If the Collateral includes Inventory, then the covenants in this Paragraph IV.N. apply.
1. **Signatures.** Bank or its representative may endorse or sign the name of Borrower on remittances in respect to Inventory, assignments, invoices, financing statements, notices to debtors, bills of lading, notices to suppliers, storage or other instruments or documents in respect to Inventory or the property covered thereby.
 2. **Audit.** Bank or its representative may from time to time verify Inventory, through actual count or otherwise, and Borrower shall make same available at any time for such purpose.
 3. **Sales.** So long as neither Borrower nor any Other Obligor is in default of any of the Obligations, Inventory subject to Bank's continuing security interests may be sold by Borrower in the ordinary course of business, but shall not otherwise be taken or removed from Borrower's premises.

O. **Securities.** If the Collateral includes stocks, bonds or other securities of Borrower, then the covenants in this Paragraph IV.O. apply:

1. **Transfers.** All certificates or instruments representing or evidencing such securities shall be in suitable form for transfer by delivery, shall be in form and substance satisfactory to Bank and shall be delivered to and held by or on behalf of Bank; Bank is hereby authorized, at its option and without any obligation to do so, to transfer to or to register in the name of its nominee(s) all or any part of such securities, and to do so before or after default or the maturity of the Obligations secured hereby, with or without notice to Borrower; Bank shall have the right at any time to exchange certificates or instruments representing or evidencing such securities for certificates or instruments of smaller or larger denominations.
2. **Dividends.** In the event that a stock dividend is declared, or any stock split-up made, with respect to any security pledged hereunder, or cash or other property is distributed in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in surplus, or property other than cash is distributed as a dividend, all the certificates for the shares representing such stock dividend or stock split-up, and all of such cash and other property, shall be delivered, duly endorsed, to Bank as additional security hereunder.
3. **Attorney-in-Fact.** Borrower hereby appoints Bank Borrower's attorney-in-fact with full authority in the place and stead of Borrower and in the name of Borrower or otherwise, from time to time in Bank's discretion to take any action and to execute any instrument which Bank may deem necessary or advisable to accomplish the purposes of this Agreement, including, but not limited to, receiving, endorsing and collecting all checks and other instruments made payable to Borrower representing any dividend, interest payment, or other distribution in respect of the pledged securities or any part thereof and giving full discharge for the same.

P. **Further Covenants.** Without the prior written consent of Bank, Borrower shall not: (i) pledge or grant any security interest in any Collateral to anyone except Bank, nor permit any financing statement (except Bank's financing statement) to be on file in any public office with respect thereto; (ii) permit or suffer any lien, levy or other encumbrance to attach to any of the Collateral or to any other assets of Borrower, except for liens and encumbrances in favor of Bank; ~~(iii) permit a material change in any Receivable, or a material change in the terms of any contract giving rise to a Receivable; (iv) make any agreement, compromise, settlement, bulk sale, lease or transfer of assets other than in the normal course of business; (v) create, incur or assume any liability for borrowed money, except borrowings from Bank; (vi) assume, guarantee, endorse or otherwise become liable in connection with the obligations of any person, firm or corporation except by endorsement of instruments for deposit or collection or similar transactions in the ordinary course of business; (vii) enter into any merger or consolidation, or sell or lease substantially all of its assets; or (viii) purchase or acquire the obligations or stock of any person, firm or corporation or other enterprise whatsoever, other than the direct obligations of the United States or Bank.~~

V. EVENTS OF DEFAULT

The following shall constitute a default hereunder:

- A. **Nonperformance.** Default by Borrower under or breach of any provision or warranty of, this Agreement, any other instrument, agreement or document in connection with any of the Obligations, ~~or any other instrument, agreement or document of Borrower with Bank~~ whether such instrument, agreement or document presently exists or is hereafter executed; or default by any Other Obligor under or breach of any provision or warranty of, this Agreement, any other instrument, agreement or document in connection with any of the Obligations, ~~or any other instrument, agreement or document of any Other Obligor with Bank~~ whether such instrument, agreement or document presently exists or is hereafter executed;
- B. **Representations and Warranties.** Any warranty, representation, or statement to Bank by or on behalf of Borrower or any Other Obligor proving to have been incorrect in any material respect when made or furnished;
- C. **Financial Condition.** ~~A determination by Bank in good faith, but in its sole discretion, that the financial condition of Borrower or any Other Obligor is unsatisfactory;~~ insolvency of Borrower or any Other Obligor; suspension of business, or commission of an act amounting to business failure by Borrower or any Other Obligor, ~~or a determination by Bank in good faith but in its sole discretion, that the ability of Borrower or any Other Obligor to pay any of the Obligations is impaired for any reason;~~
- D. **Assignments.** Any assignment made by Borrower or any Other Obligor for the benefit of creditors;
- ~~E. **Judgments.** The entry of any final judgment against Borrower or any Other Obligor for the payment of money in excess of \$5,000;~~
- F. **Bankruptcy.** Institution of bankruptcy, insolvency, reorganization or receivership proceedings by or against Borrower or any Other Obligor in any State or Federal court, or the appointment of a receiver, assignee, custodian, trustee or similar official under any Federal or State insolvency or creditors' rights law for any property of Borrower or any Other Obligor;
- G. **Extraordinary Acts.** ~~A change of ownership or the sale, dissolution, merger, consolidation~~ ^{or} liquidation or reorganization of Borrower or any Other Obligor which is a corporation, partnership or other legal entity;
- H. **Attachments.** The levy upon or attachment of any property of Borrower or any Other Obligor, ~~or the recordation of any Federal, State or local tax lien against Borrower or any Other Obligor,~~ the Collateral.
- I. **Death.** Death of Borrower or any Other Obligor who is a natural person;
- ~~J. **Additional Collateral.** Failure of Borrower or any Other Obligor to furnish such additional collateral as Bank may in good faith request;~~
- K. **Termination of Interest.** Lapse or termination of the interest of Borrower or any Other Obligor in any of the Collateral other than through sales of Inventory or other use of Collateral in the ordinary course of business;
- ~~L. **Cross-Default.** The occurrence of any event which is, or would be with the passage of time or the giving of notice or both, a default under any indebtedness of Borrower or any Other Obligor to any person other than Bank;~~
- ~~M. **Loss or Damage; Transfer or Encumbrance.** Any material loss, theft or substantial damage, not fully insured for the benefit of Bank, to any of the assets of Borrower or any Other Obligor, or the transfer or encumbrance of any material part of the assets of Borrower or any Other Obligor other than in the ordinary course of business of Borrower or such Other Obligor;~~
- ~~N. **Financial Information.** The failure of Borrower or any Other Obligor to furnish Bank such financial information as Bank may require from time to time.~~

VI. REMEDIES

- A. **Specific Rights and Remedies.** In addition to all other rights and remedies provided by law and the loan documents, ^{*} Bank, upon the occurrence of any default, may: (i) accelerate and call due the unpaid principal balance of any promissory note evidencing any of the Obligations, and all accrued interest and other sums due as of the date of default; (ii) impose the default rate of interest provided in any promissory note evidencing

* and subject to Rider No. 1 hereto

any of the Obligations, with or without acceleration; (iii) file suit against Borrower or against any Other Obligor; (iv) seek specific performance or injunctive relief to enforce performance of the Obligations, whether or not a remedy at law exists or is adequate; and (v) exercise any rights of a secured creditor under the Uniform Commercial Code, including the right to take possession of the Collateral without the use of judicial process or hearing of any kind and the right to require Borrower to assemble the Collateral at such place as Bank may specify.

- B. **Costs of Collection.** Upon the occurrence of any default, Bank shall be entitled to recover from Borrower attorneys' fees equal to fifteen percent (15%) of the unpaid balance of the Obligations at the time of default (to the extent not prohibited by law), plus court costs and other expenses which may be incurred by Bank in the enforcement or attempted enforcement of its rights hereunder, whether against any third party, Borrower, or any Other Obligor. Expenses recoverable from Borrower shall (to the extent not prohibited by law) include costs of collection including salaries, out-of-pocket travel, living expenses and the hiring of agents, consultants, accountants, or otherwise. All sums of money thus expended, and all other monies expended by Bank to protect its interest in the Collateral (including insurance, taxes or repairs) shall be repayable by Borrower to Bank on demand, such repayment to be secured as provided above in Paragraph II.
- C. **Foreclosure.** Upon the occurrence of any default, in addition to other remedies provided under the Uniform Commercial Code, Bank at any time then or thereafter, in its discretion, may lawfully enter any of Borrower's premises or the premises where the Collateral is located, and with or without judicial process, lawfully remove, under Section 9-503 of the Uniform Commercial Code, the Collateral or records thereof to such place as Bank may deem advisable, or require Borrower to assemble and make any or all such Collateral available at such reasonable place as Bank may direct, and realize upon (by sale or in any other manner) all or any part of the Collateral, in each case without advertisement or notice to Borrower, except that, unless the Collateral is perishable or threatens to decline speedily in value, or is of a type customarily sold on a recognized market, Bank shall give Borrower, and other parties entitled to notice, reasonable notice in writing before the sale of the Collateral or any part thereof at public auction or private sale, in one or more sales, at such price or prices, and upon such terms either for cash or credit or future delivery as Bank may elect, and at any such public sale Bank may bid for and become the purchaser of any or all of such Collateral; and/or Bank may foreclose its security interest in the Collateral in any way permitted by law. In connection with any notices to be given pursuant to this Paragraph VI.C., it is agreed in all instances that five (5) business days notice constitutes reasonable notice. Any such notice shall be deemed given when delivered or deposited in the U.S. mail with first class postage. Borrower agrees that Bank may foreclose on and sell the Collateral pursuant to Maryland Rule W-78, and assents to the passing of a decree for the sale of the Collateral upon default. The net proceeds of any such sale or sales and any amounts received in liquidation of the Collateral, less all costs and expenses incurred in connection therewith, including attorneys' fees equal to 15% of the unpaid balance of the Obligations at the time of default (to the extent not prohibited by law) and, at the option of Bank, less any prior lien claims, shall be applied against the Obligations in the order that Bank in its sole discretion shall decide, and Borrower or other party entitled thereto shall be entitled to any surplus resulting therefrom. No action taken by Bank pursuant hereto shall affect Borrower's continuing liability to Bank for any deficiency remaining after any foreclosure.
- D. **Redemption.** The purchaser at any such sale shall thereafter hold the Collateral absolutely free from any claim or right of any kind including any equity of redemption of Borrower, and such demand, notice or right in equity are hereby expressly waived and released by Borrower.
- E. **Replevin.** Upon the occurrence of any default, Borrower hereby authorizes and empowers any attorney or clerk of any court of record to appear for and confess judgment against Borrower (as of any term of court) without prior notice to Borrower or prior opportunity to be heard in an action for replevin instituted by Bank to obtain possession of any of the Collateral. If a copy of this Agreement, verified by affidavit of Bank or sworn on behalf of Bank, is filed in such action, it shall not be necessary to file the original Agreement as a warrant to the attorney or clerk. The authority and power to appear for and enter judgment against Borrower shall not be exhausted by one or more exercises thereof or by any imperfect exercises thereof, and shall not be extinguished by any judgment entered pursuant thereto; this authority and power may be exercised on one or more occasions, from time to time, in the same or different jurisdictions, as often as Bank shall deem necessary or desirable, for all of which this Agreement shall be sufficient authority.
- F. **Offset.** Upon the occurrence of any default, Bank is authorized to charge the sum then due to Bank against any and all monies held by or on deposit with Bank on account of Borrower or its affiliates, and to offset any amounts against any demand or depository accounts which Borrower, or its affiliates, may have with Bank and to enforce such other remedies as may be available at law or in equity, without necessity of election.
- G. **Alternative Remedies.** *Bank may exercise its rights and remedies hereunder either alternatively or concurrently with its rights under any and all other agreements among or between Bank and Borrower or any Other Obligors and shall have the full right to realize upon all available Collateral, collecting on the same or instituting proceedings in connection therewith, until Bank receives payment in full of all amounts owing to Bank under any of its agreements with Borrower, including principal, interest, costs and expenses, and costs of enforcement or attempted enforcement of this or any other agreement among or between Bank and Borrower or any Other Obligors. Bank shall be under no obligation to pursue Bank's rights against any Other Obligor or any of the collateral of any Other Obligor securing any of the Obligations before pursuing Bank's rights against Borrower, or the Collateral. *Subject to Rider No. 1 hereto,
- H. **Return of Collateral.** Upon payment in full and performance of all Obligations secured hereby, all Collateral not previously foreclosed may be returned by Bank to Borrower.

VII. GENERAL PROVISIONS

- A. **Continuity and Termination.** This Agreement shall become effective immediately and remain in effect so long as any of the Obligations are outstanding and unpaid, provided that the security interests hereunder shall continue in full force and effect and are noncancellable by Borrower prior to the termination of this Agreement. This Agreement may be terminated by Borrower upon actual delivery of written notice to Bank of such intention, and payment in full of all then existing Obligations secured hereby; provided, however, that such notice and payment shall in no way affect, and this Agreement and the security interests hereunder shall remain fully operative with respect to, any Obligations, or commitments which may become Obligations, entered into between Borrower and Bank prior to receipt of such notice or payment, whichever is later.
- B. **Right of Bank to Act with Respect to Other Obligors and Collateral.** Borrower hereby assents to any and all terms and agreements between Bank and any Other Obligor, and all amendments and modifications thereof, whether presently existing or hereafter made and whether oral or in writing. Bank may, without compromising, impairing, diminishing, or in any way releasing Borrower from the Obligations and without notifying or obtaining the prior approval of Borrower, at any time or from time to time: (i) waive or excuse any default by any Other Obligor, or delay in the exercise by Bank of any or all of Bank's rights or remedies with respect to such default; (ii) grant extensions of time for payment or performance by any Other Obligor; (iii) release, substitute, exchange, surrender, or add collateral of any Other Obligor, or waive, release, or subordinate, in whole or in part, any lien or security interest held by Bank on any real or personal property securing payment or performance, in whole or in part, of the obligations of any Other Obligor; (iv) release any Other Obligor; (v) apply payments made by any Other Obligor to any sums owed by any Other Obligor to Bank, in any order or manner, or to any specific account or accounts, as Bank may elect; and (vi) modify, change, renew, extend, or amend, in any respect Bank's agreement with any Other Obligor, or any document, instrument, or writing embodying or reflecting the same.

- C. **Waivers By Borrower.** Borrower waives: (i) any and all notices whatsoever with respect to this Agreement or with respect to any of the obligations of any Other Obligor to Bank, including, but not limited to, notice of: (a) Bank's acceptance hereof or Bank's intention to act, or Bank's action, in reliance hereon; (b) the present existence or future incurring of any of the obligations of any Other Obligor to Bank or any terms or amounts thereof or any change therein; (c) any default by any Other Obligor; and (d) the obtaining or release of any guaranty or surety agreement, pledge, assignment, or other security for any of the obligations of any Other Obligor to Bank; (ii) presentment and demand for payment of any sum due from any Other Obligor and protest of nonpayment; and (iii) demand for performance by any Other Obligor.
- D. **Information Concerning Collateral or Other Obligors.** Bank shall have no present or future duty or obligation to discover or to disclose to Borrower any information, financial or otherwise, concerning any Other Obligor or any collateral securing the Obligations. Borrower waives any right to claim or assert any such duty or obligation on the part of Bank. Borrower agrees to obtain all information which Borrower considers appropriate or relevant to this Agreement from sources other than Bank and to become and remain at all times current and continuously apprised of all information concerning Other Obligors and any collateral which is material and relevant to the Obligations of Borrower under this Agreement.
- E. **Other Documents.** The Obligations secured by this Agreement are or shall be evidenced by notes, security agreements, guaranties, addenda, or other documents which are separate agreements and may be negotiated by Bank without releasing Borrower, any Collateral or any Other Obligor. Without limitation of the foregoing, Borrower may have executed and delivered to Bank a Financial Covenants Addendum which modifies and supplements this Agreement and Borrower's obligations hereunder. This Agreement specifically incorporates by reference all of the language and provisions of such notes, security agreements, guaranties, addenda or other documents. Borrower consents to any extension of time for payment of any Obligations. If there is more than one Borrower or Other Obligor, the obligation of each of them shall be primary, joint and several.
- F. **Remedies Cumulative.** ^{Subject to Rider No. 1 hereto,} All rights, remedies and powers of Bank hereunder are irrevocable and cumulative, and not alternative or exclusive, and shall be in addition to all other rights, remedies and powers of Bank whether in or by any other instruments or any laws, including, but not limited to, the Uniform Commercial Code, now existing or hereafter enacted.
- G. **Loans and Advances.** Nothing contained herein shall be construed as obligating Bank to make any particular loan or advance to Borrower, and Borrower is not relying upon Bank to make or continue to make advances to Borrower for any purpose whatsoever. All such loans or advances remain within the discretion of Bank.
- H. **Non-Waiver.** No indulgence or delay on the part of Bank in exercising any power, privilege or right hereunder or under any other agreement executed by Borrower to Bank in connection herewith shall operate as a waiver thereof. No single or partial exercise of any power, privilege or right shall preclude any other or further exercise thereof, or the exercise of any other power, privilege or right.
- I. **Governing Law; Severability.** This Agreement shall be construed and governed by the laws of the State of Maryland. If any part of this Agreement shall be adjudged invalid or unenforceable as of any term of court, then such partial invalidity or unenforceability shall not cause the remainder of this Agreement to be or become invalid or unenforceable, and if a provision hereof is held invalid or unenforceable in one or more of its applications, that provision shall remain in effect in all valid or enforceable applications that are severable from the invalid or unenforceable application or applications.
- J. **Litigation.** In the event of any litigation with respect to this Agreement, the promissory note(s) or other agreements evidencing and/or securing any of the Obligations, the Collateral, or any other document or agreement applicable thereto, Borrower waives all defenses (including the defense of statute of limitations). Borrower agrees that any proceeding to enforce or construe this Agreement may be brought in any State or Federal court in Maryland, agrees that Borrower is subject to service of process under Section 6-103 of the Courts and Judicial Proceedings Article of the Annotated Code of Maryland, and agrees to accept such service as is authorized by such statute and prescribed in the Maryland Rules of Procedure.
- K. **Construction.** The captions in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Agreement nor the intent of any provision hereof. If this Agreement is signed by two or more parties as Borrowers, the term "Borrower" shall mean each and every party signing this Agreement as a Borrower. The use of the singular herein may also refer to the plural, and vice versa, and the use of the neuter or any gender shall be applicable to any other gender or the neuter. All accounting terms not otherwise defined in this Agreement shall be interpreted in accordance with G.A.A.P.
- L. **Assignment.** None of the parties shall be bound by any assignment not expressed in writing. This Agreement shall enure to and be binding upon the heirs, personal representatives, successors, and assigns of Borrower and Bank, and the terms "Borrower" and "Bank" shall include and mean, respectively, the successors and assigns of Borrower and Bank.
- M. **Demand.** If any of the Obligations are payable on demand, demand therefor may be made at any time, without notice, and without regard to whether a default has occurred.
- N. **Time.** Time is of the essence of all Obligations.

VIII. ADDITIONAL COVENANTS

Borrower's Initials In addition to the terms and conditions herein, Borrower represents, warrants and covenants that: (add any additional loan covenants; if none, so state)

None

IX. ADDRESSES

Address of Chief Executive Office

901 Lindberg

McAllen, Texas 78501

(210) 686-2221

(Telephone)

Address of Location of Books and Records

901 Lindberg

Relating to Collateral

McAllen, Texas 78501

(210) 686-2221

(Telephone)

Other Address(es) of Location(s) of Collateral (if any)

(Telephone)

*; provided, however, Bank shall give notice to Borrower of any default in the payment of rent with respect to any lease of the Equipment.

X. **WAIVER OF TRIAL BY JURY.** Borrower and Bank agree that any suit, action, or proceeding, whether claim or counterclaim, brought or instituted by or against either party hereto or any successor or assign of either party on or with respect to this Agreement or any other loan document or which in any way relates, directly or indirectly, to the Obligations or any event, transaction or the dealings of the parties with respect thereto, shall be tried only by a court and not by a jury. **BORROWER AND BANK HEREBY EXPRESSLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION, OR PROCEEDING.** Borrower and Bank acknowledge and agree that this provision is a specific and material aspect of this Agreement between the parties and that Bank would not extend credit to Borrower if this waiver of jury trial provision were not a part of this Agreement.

IN WITNESS WHEREOF, and intending to be legally bound hereby, Borrower has executed this Agreement under seal as of the day and year first above written, at

WITNESS OR ATTEST*:

*Note: Attestation of a corporate officer's capacity to sign by another corporate officer is required in all corporate transactions.

Kathy D. Steward
(Signature)
Kathy D. Steward
(Print Name)
Diane Levine
(Signature)
DIANE LEVINE
(Print Name)

RIO GRANDE CHEMICAL SALES CO.
(Name of Organization)
By: [Signature] (SEAL)
(Authorized Signature)
Paul G. Veale, Jr., President
(Print Name and Title)
By: _____ (SEAL)
(Authorized Signature)

(Print Name and Title)
901 Lindberg
(Street Address)
McAllen, Texas 78501
(City-State-Zip)
(210) 686-2221
(Telephone) (Facsimile)
74-1822191
(Federal Tax Identification No.)

WITNESS:

(Signature)

(Print Name)

If Borrower is an individual he or she should sign below:

(SEAL)

(Print Name)

(Street Address)

(City-State-Zip)

(Telephone) (Facsimile)

(Social Security No.)

ACCEPTED AT BALTIMORE, MARYLAND AS OF THE DATE THEREOF:
THE FIRST NATIONAL BANK OF MARYLAND

By: _____ (SEAL)

(Print Name and Title)

State OF Texas, County OF Hidalgo, TO WIT:

I HEREBY CERTIFY, that on this 8th day of May, 1997, before me, the undersigned, a Notary Public of the State of Texas, personally appeared Paul G. Veale, Jr., the President of Rio Grande Chemical Sales Company, a Texas corporation, known (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained as the duly authorized President of said corporation by signing the name of the corporation by himself as President.

AS WITNESS my hand and notarial seal.

Dorothy Thomas
Notary Public

My Commission Expires:



RIDER NO. 1 TO SECURITY AGREEMENT

Bank and Borrower understand that Borrower only has a non-recourse obligation to Bank (except for Borrower's fraudulent misconduct or willful misrepresentation). Given such, anything in this Security Agreement or any other agreement between the Bank and the Borrower to the contrary notwithstanding, the Bank shall have no remedy, right to proceed against, security interest or lien on any of the Borrower's Equipment other than the Equipment set forth in Exhibit A attached to and made a part of this Security Agreement.

RIDER NO. 2 TO SECURITY AGREEMENT

Borrower shall cause any lessee of the Equipment to maintain insurance with respect to the Equipment and the use thereof as the same may be required pursuant to any lease of the Equipment.

EXHIBIT A
to Security Agreement

Forty (40) 4000 cubic foot capacity, 100-ton high side rotary dump gondola railcars refurbished for scrap metal service

Car Numbers: 1100 through 1139, inclusive

Car Owners Marks: TM

B:FN172105.RID/RGC(7)/Disk1/mes